

ORIGINAL



0000074400

MEMORANDUM

TO: Docket Control

FROM: Ernest G. Johnson
Director
Utilities Division

Date: June 29, 2005

RE: STAFF REPORT FOR THE APPLICATION FOR THE APPLICATION OF
THE WATER UTILITY OF GREATER TONOPAH, INC. FOR AN
EXTENSION OF ITS CERTIFICATE OF CONVENIENCE AND NECESSITY
(DOCKET NO. W-02450A-06-0253)

Attached is the Staff Report for the Water Utility of Greater Tonopah, Inc. application for approval to extend its Certificate of Convenience and Necessity. Staff recommends approval with conditions.

EGJ:LAJ:tdp

Originator: Linda A. Jaress

Arizona Corporation Commission

DOCKETED

JUN 29 2007

DOCKETED BY	
KK	John

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DOCKET CONTROL

Service List for: Water Utility of Greater Tonopah, Inc.
Docket No. W-02450A-06-0253

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STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

WATER UTILITY OF GREATER TONOPAH, INC.
DOCKET NO. W-02450A-06-0253

APPLICATION FOR EXTENSION
OF CERTIFICATE OF
CONVENIENCE & NECESSITY

JUNE 29, 2007

STAFF ACKNOWLEDGMENT

The Staff Report for Water Utility of Greater Tonopah, Inc., Docket No. W-02450A-06-0253 was prepared by the Staff members signed below. Linda Jaress prepared the Staff Report and Dorothy Hains prepared the Engineering Report.

A handwritten signature in cursive script that reads "Linda A. Jaress".

Linda A. Jaress
Executive Consultant

A handwritten signature in cursive script that reads "Dorothy Hains".

Dorothy Hains
Utilities Engineer

EXECUTIVE SUMMARY
WATER UTILITY OF GREATER TONOPAH, INC.
FOR AN EXTENSION OF CERTIFICATE OF CONVENIENCE AND NECESSITY
DOCKET NO. W-02450A-06-0253

On April 14, 2006, the Water Utility of Greater Tonopah, Inc. ("WUGT" or "Company") filed an application with the Arizona Corporation Commission ("ACC" or "Commission") for the extension of its Certificate of Convenience and Necessity ("CC&N") to a $\frac{3}{4}$ section area which is part of a development known as Balterra.

WUGT operates eight individual water systems of varying sizes. Staff analyzed data regarding the systems in the 2006 Annual Report along with updated information provided by WUGT and concluded that the Dixie System, which serves 33 customers, has inadequate production and storage. Arsenic levels in the WUGT's systems, except the Dixie and the Garden City systems, exceed the new arsenic standard of 10 parts per billion. However, all the systems are in compliance with Maricopa County Environmental Services Department ("MCESD"), Arizona Department of Environmental Quality ("ADEQ") and Arizona Department of Water Resources ("ADWR").

WUGT proposes to install a new water system which would include two wells, a water treatment plant, a reservoir system, booster pump stations and a distribution system to serve the projected 1,209 customers in the extension area along with the rest of the Balterra development. The Company's estimate of the total cost of plant to serve the extension area during the first five years of operation is \$4,621,867. Staff concludes that the costs of the plant to serve the extension area estimated by the Company are reasonable.

1. WUGT should resolve the storage and production deficiencies in the Dixie System before entering any new Main Extension Agreements or CC&N extensions involving the Dixie System.
2. WUGT should file by December 31, 2007, evidence in Docket Control that the arsenic removal plans for the systems have been approved by MCESD.
3. WUGT should file by March 31, 2008, with Docket Control, documents showing that its systems are in compliance with the new arsenic standard.
4. WUGT should file within two years of the decision in this docket, a copy of the Certificates of Approval of Construction for its water source, treatment plant, storage tanks and water distribution system for the proposed water system issued by MCESD or ADEQ.
5. WUGT should file within eighteen months of the effective date of the final decision in this docket with Docket Control a copy of the APP issued by ADEQ for the proposed water treatment plant.

6. WUGT should file with Docket Control, as a compliance item in this docket, by July 31, 2009, a copy of ADWR's Designation of Assured Water Supply stating that there is adequate water for the area being requested and/or a copy of the Certificate of Assured Water Supply for the requested area.
7. WUGT should file with Docket Control, as a compliance item in this docket, within one year of the decision, a copy of the franchise agreement with the city or county in which the extension area is located.
8. WUGT should file a Cross Connection/Backflow Tariff with the Commission's Docket Control within 45 days of the effective date of the final decision in this matter for Staff's review and certification.
9. The decision approving this extension should be deemed null and void after due process if WUGT does not comply with the above requirements in the time ordered.

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Introduction

On April 14, 2006, the Water Utility of Greater Tonopah, Inc. ("WUGT" or "Company") filed an application with the Arizona Corporation Commission ("ACC" or "Commission") for the extension of its Certificate of Convenience and Necessity ("CC&N") to a $\frac{3}{4}$ section area which is part of a development known as Balterra. The Company is located west of Phoenix and serves various locations between 331st Avenue and 555th Avenue and between Elliot Road and Glendale Avenue. A map and legal description of the extension area is attached as Exhibit 1. According to the 2006 annual report to the Commission, the Company serves 332 customers.

The extension area is located in the vicinity of 395th Avenue and Camelback in Maricopa County. The largest portion of the Balterra development is within WUGT's current service territory. The extension area is contiguous to the rest of the Balterra development. At build-out, the Balterra development is expected to encompass approximately 6,100 residential units. The development will receive wastewater service from Balterra Sewer Corporation, a utility independent from WUGT, which received its CC&N in Decision No. 68742, dated June 5, 2006.

WUGT operates under rates and charges effective January 1, 2002. The Company was formed by the combination of several other water companies over many years which accounts for its eight distinct water systems. During 2006, the Company was acquired by Global Water Resources, L.L.C. ("Global"). Global has several years of experience owning and operating Arizona water and wastewater companies and employs certified operators to operate them.

The Company is a corporation in good standing with the Corporations Division of the Commission and has no outstanding compliance issues in the records of the Compliance Section of the Utilities Division.

Existing Water Systems

WUGT operates eight individual water systems. The smallest system, WPE #1, serves 2 customers while the largest system, the Sunshine System serves 137 customers. Attached as Exhibit 2 is Staff's Engineering Report which further describes the current and proposed systems and the estimated costs of the extension. Staff analyzed data from the 2006 Annual Report and updated information provided by WUGT and concluded that the Dixie System, which serves 33 customers, has inadequate production and storage.

Staff recommends that WUGT take action to correct the production and storage problem. Such action could include the installation of a well, a storage tank, a combination of the two, or interconnection with another system. Staff recommends that the Commission require WUGT to resolve the storage and production deficiencies in the Dixie System before allowing any new Main Extension Agreements or CC&N extensions involving the Dixie System.

Proposed Water System

WUGT proposes to install a new water system which would include two wells, a water treatment plant, a reservoir system, booster pump stations and a distribution system to serve the projected 1,209 customers in the extension area along with the rest of the Balterra development. WUGT expects that during the initial phase of the water system construction one well and a one million gallon storage tank will be installed.

The Company's estimate of the total cost of plant to serve the extension area during the first five years of operation is \$4,621,867. Staff concludes that the costs of the plant to serve the extension area estimated by the Company are reasonable.

Maricopa County Environmental Services Department

The Maricopa County Environmental Services Department ("MCESD") has determined that all WUGT's regulated systems are delivering water that meets the water quality standards set forth in the Arizona Administrative Code, Title 18, Chapter 4. Two of the systems are not regulated by MCESD due to their small size.

Arsenic levels in the WUGT's systems, except the Dixie and the Garden City systems, exceed the new arsenic standard of 10 parts per billion. The compliance date for meeting the arsenic standard is December 31, 2007. MCESD has issued an Approval to Construct for the arsenic removal plant for one system, the WPE #6 system. Staff recommends the WUGT file by December 31, 2007, evidence in Docket Control that the arsenic removal plans for its systems have been approved by MCESD. Staff further recommends that the Company file by March 31, 2008, documents showing that its systems are in compliance with the new arsenic standard.

Staff also recommends that WUGT file with Docket Control Section a copy of the Certificates of Approval of Construction for its water source, treatment plant, storage tanks and water distribution system for the proposed water system issued by MCESD or the Arizona Department of Environmental Quality ("ADEQ") within two years of the effective date of the final decision issued in this docket.

WUGT plans to treat the water using an Arsenic Activated Alumina system and granular ferric hydroxide. The backwash water from this treatment plant will be treated by a reverse osmosis unit to reduce the waste water volume before disposal. The final waste water will be disposed of in an on-site, lined, 0.6 acre evaporation pond. An Aquifer Protection Permit ("APP") will be required for this waste water disposal system. Staff recommends that WUGT file with Docket Control a copy of the APP issued by ADEQ for the proposed treatment plant within eighteen months of the effective date of the final decision in this docket.

Arizona Department of Water Resources

WUGT is located in the Phoenix Active Management Area ("AMA"), as designated by the Arizona Department of Water Resources ("ADWR"). ADWR has indicated that the Company is in compliance with the Phoenix AMA requirements. WUGT intends to apply to ADWR for a Designation of Assured Water Supply. Staff recommends that WUGT file with Docket Control, as a compliance item in this docket, a copy of ADWR's Designation of Assured Water Supply stating that there is adequate water for the area being requested and/or a copy of the Certificate of Assured Water Supply for the requested area by July 31, 2009.

Cross Connection/Backflow Tariff

WUGT's tariff does not contain provisions regarding cross connections or backflow. Staff recommends that WUGT file a Cross Connection/Backflow Tariff with the Commission's Docket Control within 45 days of the effective date of the final decision in this matter for Staff's review and certification. The tariff should generally conform to the sample tariff found on the Commission's web site at www.azcc.gov.

Conclusions and Recommendations

Based upon the experience operating water and wastewater utilities in Arizona of WUGT and its affiliates and their compliance record with Arizona regulatory agencies, Staff believes that WUGT is a fit and proper entity to serve the extension area. Based upon the documented need for service, Staff also believes it is in the public interest for WUGT to serve the extension area. Staff recommends approval of the requested CC&N extension.


Staff also recommends that the Company be ordered to complete the following:


1. WUGT should resolve the storage and production deficiencies in the Dixie System before allowing any new Main Extension Agreements or CC&N extensions involving the Dixie System.
2. WUGT should file by December 31, 2007, evidence in Docket Control, as a compliance item in this docket, that the arsenic removal plans for the systems have been approved by MCESD.
3. WUGT should file by March 31, 2008, with Docket Control, as a compliance item in this docket, documents showing that its systems are in compliance with the new arsenic standard.
4. WUGT should file with Docket Control, as a compliance item in this docket, within two years of the decision in this docket, a copy of the Certificates of Approval of Construction for its water source, treatment plant, storage tanks and water distribution system for the proposed water system issued by MCESD or ADEQ.

5. WUGT should file within eighteen months of the effective date of the final decision in this docket with Docket Control, as a compliance item in this docket, a copy of the APP issued by ADEQ for the proposed treatment plant.
6. WUGT should file with Docket Control, as a compliance item in this docket, by July 31, 2009, a copy of ADWR's Designation of Assured Water Supply stating that there is adequate water for the area being requested and/or a copy of the Certificate of Assured Water Supply for the requested area.
7. WUGT should file with Docket Control as a compliance item in this docket, within one year of the decision, a copy of the franchise agreement with the city or county in which the extension area is located.
8. Staff recommends that WUGT file a Cross Connection/Backflow Tariff with the Commission's Docket Control, as a compliance item in this docket, within 45 days of the effective date of the final decision in this matter for Staff's review and certification.
9. The decision approving this extension should be deemed null and void after due process if WUGT does not comply with the above requirements in the time ordered.

MEMORANDUM

TO: Linda Jaress
Executive Consultant III
Utilities Division

FROM: Barb Wells 
Information Technology Specialist
Utilities Division

THRU: Del Smith 
Engineering Supervisor
Utilities Division

DATE: May 10, 2006

RE: **WATER UTILITY OF GREATER TONOPAH, INC. (DOCKET NO. W-02450A-06-0253)**

The area requested by Tonopah for an extension has been plotted with no complications using the legal description provided with the application (a copy of which is attached).

Also attached is a copy of the map for your files.

:bsw

Attachment

cc: Docket Control
Mr. William Sullivan
Mr. John Mihlik
Ms. Deb Person (Hand Carried)
File

TOWNSHIP 2 North

TR2N6W 02 FEB 2006

WATER SERVICE AREA DESCRIPTION

BALTERRA

THE NORTHEAST QUARTER AND THE SOUTH HALF OF SECTION 19, TOWNSHIP 2
NORTH, RANGE 6 WEST,
GILA AND SALT RIVER BASE AND MERIDIAN, MARICOPA COUNTY, ARIZONA;

EXCEPT THAT PORTION OF THE SOUTHWEST QUARTER OF SAID SECTION 19
DESCRIBED AS FOLLOWS:

COMMENCING AT A BRASS CAP FOUND AT THE SOUTH QUARTER CORNER OF
SAID SECTION 19, FROM WHICH AN ARIZONA DEPARTMENT OF TRANSPORTATION
BRASS CAP AT THE SOUTHEAST CORNER OF SAID SECTION 19 BEARS SOUTH
89°28'08" EAST, A DISTANCE OF 2640.04 FEET; THENCE NORTH 89°28'43" WEST,
ALONG THE SOUTH LINE OF THE SOUTHWEST QUARTER OF SAID SECTION 19, A
DISTANCE OF 1482.82 FEET; THENCE NORTH 00°31'17" EAST, A DISTANCE OF 40.00
FEET TO A HALF INCH REBAR AT A POINT ON A LINE LYING 40.00 FEET NORTH OF
AND PARALLEL TO THE SOUTH LINE OF THE SOUTHWEST QUARTER OF SAID
SECTION 19 AND THE TRUE POINT OF BEGINNING;

THENCE CONTINUING NORTH 00°31'17" EAST, A DISTANCE OF 200.00 FEET TO A
HALF IN REBAR AT A POINT ON A LINE LYING 240.00 FEET NORTH OF AND
PARALLEL TO THE SOUTH LINE OF THE SOUTHWEST QUARTER OF SAID SECTION
19;

THENCE SOUTH 89°28'43" EAST, ALONG SAID LINE LYING 240.00 FEET NORTH OF
AND PARALLEL TO THE SOUTH LINE OF THE SOUTHWEST QUARTER OF SAID
SECTION 19, A DISTANCE OF 200.00 FEET TO A HALF IN REBAR;

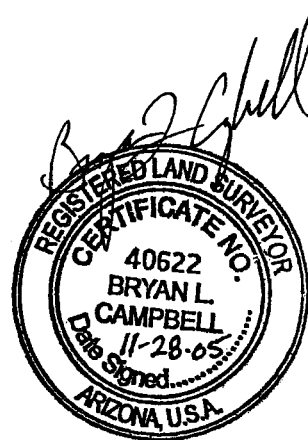
THENCE SOUTH 00°31'17" WEST, A DISTANCE OF 200.00 FEET TO A HALF IN REBAR
AT A POINT ON SAID LINE LYING 40.00 FEET NORTH OF AND PARALLEL TO THE
SOUTH LINE OF THE SOUTHWEST QUARTER OF SAID SECTION 19;

THENCE NORTH 89°28'43" WEST, ALONG SAID LINE LYING 40.00 FEET NORTH OF
AND PARALLEL TO THE SOUTH LINE OF THE SOUTHWEST QUARTER OF SAID
SECTION 19, A DISTANCE OF 200.00 FEET TO A HALF IN REBAR AT THE POINT OF
BEGINNING;

ALSO EXCEPT ANY PORTION OF THE SOUTHWEST QUARTER OF SAID SECTION 19 LYING WITHIN THAT CERTAIN TRACT OF LAND CONDEMNED FOR HIGHWAY PURPOSES BY INSTRUMENT RECORDED UNDER DOCKET 7553, PAGE 749, RECORDS OF MARICOPA COUNTY ARIZONA.

SITUATE IN THE COUNTY OF MARICOPA, STATE OF ARIZONA.

CONTAINS 475.815 ACRES MORE OR LESS.



M E M O R A N D U M

DATE June 14, 2007

TO: Linda Jaress
Executive Consultant III

FROM: Dorothy Hains, P.E. DH
Utilities Engineer-Water/Wastewater

RE: **Engineering Report For Water Utility of Greater Tonopah, Inc.**
Application to extend its CC&N to provide water service
Docket Nos. W-02450A-06-0253

I. Introduction

The Water Utility of Greater Tonopah ("WUGT") has submitted a Certificate of Convenience and Necessity ("CC&N") extension application to provide water services near the Town of Tonopah in western Maricopa County. WUGT currently serves approximately a 62 square mile area. The requested extension area is approximately $\frac{3}{4}$ square mile in size¹ and northeast of the existing CC&N area.

II. Water System Analysis

A. Existing Water Systems

WUGT operates eight individual water systems: (1) B&D/Buckeye Ranch System; (2) Dixie System; (3) Garden City/Big Horn System; (4) Rose View System; (5) Sunshine System; (6) West Phoenix Estates ("WPE"); #6 System; (7) Tuft & WPE #7 System and (8) WPE #1 System. Staff analyzed data from the 2006 Annual Report and updated information provided by WUGT. Staff's conclusion regarding the adequacy of each system is listed in the following table.

System Name	B&D/Buckeye Ranch	Dixie	Garden City/Big Horn	Rose View	Sunshine	WPE #6	Tuft WPE #7	WPE #1
PWS ID # (07-xxx)	618	030	037	082	071	733	617 ¹	N/A ¹
# of wells	2	1	1	1	1	1	1	1

¹ The area is located in the Balterra Development ("Balterra").

Total well production ²	145	40	30	30	130	20	20	20
# of storage tank	2	1	2	1	1	1	1	1
Total storage capacity (gallons)	155,000	10,000	35,000	5,000	100,000	6,000	5,700	5,000
# of existing customers	93	33	19	17	137	23	6	2
Are any FH ³ in the system?	Yes	No	No	No	Yes	No	No	N/A ⁴
Does system contain fire flow ⁵ ?	Yes	No	No	No	Yes	No	No	No
Does the system have adequate storage and production capacity?	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes
Is arsenic exceeding 10 µg/l standard in the system ⁶ ?	Yes	No	No	Yes	Yes	Yes	Yes	Yes

- Note:
1. The system is not regulated by either ADEQ or MCESD yet, because it is a semi-public system.
 2. Reported in gallons per minute ("GPM").
 3. FH stands for fire hydrant.
 4. Staff assumes that there is no fire hydrant in this system.
 5. Staff used 500 GPM for one hour to calculate fire flow reservation.
 6. Data came from 2006 WUGT's Annual Report and e-mail from WUGT.

Due to rapid grow in WUGT's service area, the Dixie System's existing production and storage capacity is inadequate to serve the existing base of customers. Staff recommends that WUGT take action to correct the production and storage problem² in the Dixie System. Staff further recommends that the Commission not approve any new Main Extension Agreements or CC&N extension involving the Dixie System until WUGT demonstrates to Staff that it has corrected the inadequate storage and production problem.

² WUGT can choose to take action either to install additional well or to install additional storage tank or to install combination of additional well and additional storage tank in Dixie System. WUGT can also choose to interconnect Dixie System with either Sunshine System or B&D/Buckeye System.

B. Proposed Water System

In order to serve the requested area, WUGT proposes to install a separate, new water system that includes two wells³, an arsenic/fluoride removal treatment plant⁴, a reservoir system⁵, booster pump station systems and a distribution system to serve the projected 1,209 customers within next five years. However, WUGT plans to utilize this proposed system for serving the entire Balterra Development⁶ area that includes the requested area and additional eighteen square miles. The proposed water system will be located on a parcel of land⁷ at 407th Ave. and Camelback Rd. According to WUGT, one well and a one million gallon storage tank will be installed initially. Staff recommends that WUGT submit to the Commission's Docket Control Section a copy of the Certificates of Approval of Construction ("AOC") for water source/treatment plant/storage tanks and water distribution system for the proposed water system issued by Maricopa County Environmental Services Department ("MCESD") or Arizona Department of Environmental Quality ("ADEQ") within two years of the effective date of the final decision and order issued pursuant to this Application.

III. Wastewater Services

Balterra Sewer Co. will be the sewer provider for this requested area.

IV. Maricopa County Environmental Services Department ("MCESD") Compliance

Staff received compliance status reports from MCESD. Summaries of the reports are listed below:

System Name	B&D/Buck eye Ranch	Dixie	Garden City/Big Horn	Rose View	Sunshine	WPE #6	Tuft WPE #7	WPE #1
PWS ID# (07-xxx)	618	030	037	082	071	733	617	N/A ¹
Status	Public system	Public system	Public system	Public system	Public system	Public system	Semi-public	Semi-public
Regulated by MCESD?	yes	yes	yes	yes	yes	yes	no	no

³ WUGT projects each well that could produce a 500 GPM ground water.

⁴ Based on the data from the surrounding area, WUGT expects that the groundwater from the proposed well will exceed arsenic and fluoride standards. Therefore, WUGT proposed to install a treatment plant before the initial water qualities have been tested.

⁵ The reservoir will be part of a 2.8-million gallons storage tank system at build out, however WUGT plans to install a 1 million gallon storage tank initially.

⁶ WUGT estimates 2,770 customers in the Balterra Development area within five years.

⁷ Parcel Number APN #506-35-024.

Compliance status	compliance	compliance	compliance	compliance	compliance	compliance	N/A	N/A
Date received MCESD report)	2/21/07	3/21/07	4/11/07	3/21/07	3/28/07	3/20/07	N/A	N/A

MCESD has determined that all WUGT's regulated systems are delivering water that meets the water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.

V. Arizona Department of Water Resources ("ADWR") Compliance

WUGT is located in the Phoenix Active Management Area ("AMA"), as designated by ADWR. ADWR has indicated that WUGT is in compliance with the Phoenix AMA requirements. WUGT is in the process of preparing an ADWR Designation of Assured Water Supply application⁸. Staff recommends that WUGT file with Docket Control, as a compliance item in this same docket, a copy of ADWR's Designation of Assured Water Supply, stating that there is adequate water for the area being requested, by July 31, 2009 and/or a copy of Developer's Certificate of Assured Water Supply from the Developer in the requested area by July 31, 2009.

VI. Arizona Corporation Commission ("ACC") Compliance

According to the Utilities Division Compliance Section, WUGT has no delinquent ACC compliance issues.

VII. Other Issues

A. Arsenic

(a) Existing Systems

Arsenic levels in all existing systems except the Dixie system exceed the new arsenic standard of 10 µg/l. Therefore, WUGT must bring all four regulated systems⁹ into compliance with new arsenic standard by December 31, 2007. MCESD has only issued an ATC for the arsenic removal plant for the WPE #6

⁸ In Docket No. W-02450A-06-0626, WUGT indicated that the Company would be requesting a Designation of Assured Water Supply.

⁹ Systems with arsenic levels above the new standard include the B&D/Buckeye Ranch system, Rose View system, Sunshine system, WPE #6 system, Tuft WPE #7 system and WPE #1 system. However, only B&D/Buckeye Ranch system, Rose View system, Sunshine system and WPE #6 system will be enforced new arsenic standards at present time.

system. Staff recommends the WUGT file with the Commission's Docket Control documents showing that the arsenic removal plans for the remaining systems (including point of use, blending and centralized treatment), have been approved by MCESD by December 31, 2007. Staff further recommends that the Company file by March 31, 2008, with the Commission's Docket Control, documents showing that all its existing systems are in compliance with the new arsenic standard.

(b) Proposed water system

WUGT states that an Arsenic Activated Alumina system followed by a granular ferric hydroxide ("GFH") will be installed as part of the proposed water system. The backwash water from the proposed treatment plant will be treated by a reverse osmosis unit to reduce the waste water volume before disposal. The final waste water will be disposed of in an on-site, lined, 0.6 acre evaporation pond. An Aquifer Protection Permit ("APP") will be required for this waste water disposal system. WUGT has stated that ADEQ will require a general APP for the new system, and WUGT should have its Notice of Intent ("NOI") within two months of submitting its APP application to ADEQ. Staff recommends that WUGT submit to the Commission's Docket Control a copy of the APP issued by ADEQ for the proposed treatment plant within eighteen months of the effective date of the final decision and order issued pursuant to this Application.

B. Curtailment Tariff

WUGT has an approved Curtailment Tariff that has been in effect since January 26, 2005.

C. Cross Connection/Backflow Tariff

WUGT does not have an approved Cross Connection/Backflow Tariff. Staff recommends that WUGT file its Cross Connection/Backflow Tariff with the Commission's Docket Control within 45 days of the effective date of the final decision and order issued pursuant to this Application for staff's review and certification.

Staff further recommends that the tariff shall generally conform to the sample tariff found on the Commission's web site at www.azcc.gov. Staff recognizes that the Company may need to make minor modifications according to their specific management, operational, and design requirements as necessary and appropriate.

D. Estimated Construction Cost

The Company's cost estimates are listed in the table below:

NARUC Account	Description	Company's cost estimate (\$)
303	Land and Land Rights	15,611 ¹
304	Structures & Improvements	432,750
307	Two wells (with production rate of 500 GPM per well)	654,545 ²
311	Pumping Equipment	865,500
320	Arsenic/fluoride treatment plant	652,713 ⁴
330	One 1-M gallon storage tank	341,575 ³
331	Transmission & Mains	
	22,261' of 8" pipes (\$26.38/ft)	587,325
	6,760' of 12" pipes (\$37.13/ft)	251,000
	3,155' of 16" pipes (\$58.33/ft)	184,060
	458' of 24" pipes (\$148.95/ft)	68,220
355	On-site generator	144,250
380	Wastewater treatment/disposal plant	261,818 ⁵
335	Fire Hydrants (65 units)	162,500
	Total	4,621,867

Note: 1. WUGT estimates a 0.918 acre site will be needed.

2. Reflects Company's estimate of the initial five year period expenditures to service the extension area. WUGT has estimated at build out it will cost \$3,000,000 to serve the entire Balterra Development area and \$1,309,091 to serve the extension area.
3. Reflects Company's estimate of the initial five year period expenditures to service the extension area. WUGT has estimated at build out it will cost \$2,805,750 to serve the entire Balterra Development area and \$1,224,327 to serve the extension area.
4. Reflects Company's estimate of the initial five year period expenditures to service the extension area. WUGT has estimated at build out it will cost \$3,294,000 to serve the entire Balterra Development area and \$1,437,381 to serve the extension area.
5. Reflects Company's estimate of the initial five year period expenditures to service the extension area. WUGT has estimated at build out it will cost \$1,321,300 to serve the entire Balterra Development area and \$576,576 to serve the extension area.

The Company estimated total cost is \$4,621,867 to serve the extension area during the initial five year period. Staff concludes that the Company's estimates of the initial five year period expenditures are reasonable and appropriate for this project. However, approval of this CC&N application does not imply any particular future treatment for rate base. No "used and useful" determination of the proposed plant in service was made, and no conclusions should be inferred for future rate making or rate base purposes.

VIII. Summary

I. Conclusions

1. WUGT has no outstanding ACC compliance issues.
2. WUGT is in compliance with ADWR monitoring and reporting requirements.
3. MCESD has determined that all WUGT's regulated systems are delivering water that meets the water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.
4. Staff concludes that the estimated costs of the new system are reasonable and appropriate for this project. The approval of this CC&N application does not imply any particular future treatment for rate base. No "used and useful" determination of the proposed plant in service was made, and no conclusions should be inferred for future rate making or rate base purposes.
5. Balterra Sewer Co. will be the sewer provider for the requested area.

II. Recommendations

1. Staff recommends that WUGT take action to correct the production and storage problem in the Dixie System. Staff further recommends that the Commission not approve any new Main Extension Agreements or CC&N extensions involving the Dixie System until WUGT demonstrates to Staff that it has corrected the inadequate storage and production problems.
2. Staff recommends that WUGT submit to the Commission's Docket Control Section a copy of the Certificates of Approval of Construction ("AOC") for water source/treatment plant/storage tanks and water distribution system for the proposed system issued by MCESD or ADEQ within two years of the effective date of the final decision and order issued pursuant to this Application.
3. Staff recommends that WUGT file with Docket Control, as a compliance item in this same docket, a copy of ADWR's Designation of Assured Water Supply stating that there is adequate water for the area being requested by July 31, 2009 and/or a copy of Developer's Certificate of Assured Water Supply from the Developer in the requested area by July 31, 2009.
4. Staff recommends the WUGT file with the Commission's Docket Control documents showing that the arsenic removal plans for the remaining systems

(including point of use, blending and centralized treatment), have been approved by MCESD by December 31, 2007. Staff further recommends that the Company file by March 31, 2008, with the Commission's Docket Control, documents showing that all its existing systems are in compliance with the new arsenic standard.

5. Staff recommends that WUGT file its Cross Connection/Backflow Tariff with the Commission's Docket Control within 45 days of the effective date of the final decision and order issued pursuant to this Application for staff's review and certification. Staff further recommends that the tariff shall generally conform to the sample tariff found on the Commission's web site at www.azcc.gov. Staff recognizes that the Company may need to make minor modifications according to their specific management, operational, and design requirements as necessary and appropriate.
6. Staff recommends that WUGT submit to the Commission's Docket Control Section a copy of its APP for the proposed arsenic treatment plant for the requested area issued by ADEQ pursuant to this Application within eighteen months of the effective date of the final decision and order issued pursuant to this Application.